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Decision No. 83770

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
GARDEN WATER CORPORATION, a
California corporation, under
Section 454 of the Public Utilities
Code, for Authority to Increase
Rates for Water Service.

Application No. 54434
(Filed November 7, 1973)

O P I N I O N

Garden Water Corporation, a family owned California corporation, seeks authority to increase rates for water service to approximately 2,380 metered and flat rate services and to about 159 hydrants in two unincorporated areas in Kern County.

On October 2, 1974, the staff completed its report on its investigation of this application, hereby received as Exhibit No. 1. Inasmuch as this report recommended that the proposed rates requested by applicant be authorized, applicant has agreed in writing to have this matter decided on the staff basis without a hearing. No customer protests have been received, and the staff does not report any service problems. This matter will be decided ex parte.

Applicant was authorized to increase its flat and metered water rates by 4.9 percent on June 23, 1974 to offset recent increases in power supply costs.

Rates

Applicant proposes to increase rates for general metered and general flat rate services. Present metered rates are compared with proposed metered rates in the following tabulation:

General Metered Service

METER RATES

	<u>Per Meter Per Month</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>
Quantity Rates:		
First 1,000 cu.ft. or less	\$ 3.50	\$ 5.00
Next 3,000 cu.ft., per 100 cu.ft. ...	.22	.30
Next 6,000 cu.ft., per 100 cu.ft. ...	.18	.25
Over 10,000 cu.ft., per 100 cu.ft. ...	.12	.16

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 3.50	\$ 5.00
For 3/4-inch meter	4.60	7.00
For 1-inch meter	7.00	10.00
For 1-1/2-inch meter	12.50	18.00
For 2-inch meter	19.00	28.00
For 3-inch meter	32.00	45.00
For 4-inch meter	51.00	70.00

The Minimum Charge will entitle the customer to the quantity of water which that Minimum Charge will purchase at the Quantity Rates.

Present flat rates are compared with proposed flat rates in the following tabulation:

General Flat Rate Service

FLAT RATES

		Per Service Connection Per Month	
		<u>Present Rates</u>	<u>Proposed Rates</u>
1.	For a single-family residential unit, including premises having the follow- ing area:		
	10,000 sq.ft. or less	\$5.30	\$ 7.50
	10,001 to 16,000 sq.ft.	6.90	9.80
	16,001 to 25,000 sq.ft.*	8.60	12.40
	*Lots larger than 25,000 sq.ft. shall be furnished water under the Metered Rate Schedule.		
2.	For each additional single-family residential unit on the same premises and served from the same service connection	3.00	4.00

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Results of Operation

The following tabulation compares the estimated summaries of earnings for the test year 1973, under present and proposed rates, prepared by applicant and by the staff:

Results of Operation

Item	Year 1973			
	Present Rates		Proposed Rates	
	Applicant:	Staff	Applicant:	Staff

Excluding 1974 Offset Increase

Operating Revenues	\$166,000	\$171,600	\$247,600	\$254,500
<u>Deductions</u>				
Operating Expenses	149,500	143,400	149,500	143,400
Depreciation Expense	25,100	37,200	25,100	37,200
Taxes Other Than Income	30,500	23,800	30,500	25,300
Taxes on Income	-	200	10,400	7,400
Total Deductions	205,100	204,600	215,500	213,300
Net Revenue	(39,100)	(33,000)	32,100	41,200
Rate Base	751,800	871,000	751,800	871,000
Rate of Return	Loss	Loss	4.3%	4.7%

(Red Figure)

The staff also estimated the results of operation for the year 1974 under present and proposed rates as follows:

Item	1974 Estimated	
	Present	Proposed
	Rates	Rates

Excluding 1974 Offset Increase

Revenues	\$173,600	\$257,500
<u>Deductions</u>		
Operating Expenses	144,900	144,900
Depreciation Expense	38,800	38,800
Taxes Other Than Income	24,700	26,200
Income Taxes	200	5,500
Total Deductions	208,600	215,400
Net Revenue	(35,000)	42,100
Rate Base	880,000	880,000
Rate of Return	Loss	4.8%

(Red Figure)

Since the staff estimates are not contested, we shall adopt them for the purposes of this proceeding.

We note from the staff report that the staff could not factually determine the nature and extent or value of the management consultant services provided by Mr. Robert E. Schweser of R. E. Schweser and Company, who is also applicant's president and treasurer. Applicant maintains its administrative and accounting office in Ventura and its operating facilities in Bakersfield. The Bakersfield office is managed by the general manager who is in charge of operating and maintenance personnel. We have accepted for the purpose of this proceeding the administrative and general expense estimate without review of the reasonableness of the cost of management consultant services or of the maintenance of two offices, since any conceivable adjustment in this proceeding would not change the level of rates authorized. We shall expect applicant in future rate proceedings to fully justify those items.

Depreciation Expense

Applicant recently reviewed its previously authorized depreciation rates by accounts and proposes to increase the rates in four accounts and keep all others at the present level.

The staff recommends that applicant be advised that the Commission has no objection to its increasing depreciation rates for wells to 5.0 percent, pumping plant to 6.0 percent, services to 3.0 percent, and meters to 4.0 percent and to its continuation of all other depreciation rates until the next scheduled review, or until conditions warrant changes.

Rate of Return

The staff estimates for the test year 1974 indicate that applicant's proposed rates will earn a return of 4.8 percent on rate base. This rate of return is not excessive and will be found reasonable for this proceeding. This record does not contain sufficient information to state a return on equity.

Findings

1. Applicant is in need of additional revenues.
2. The adopted estimates, previously discussed herein, of operating revenues, operating expenses, and rate base for the test year 1974 reasonably indicate the results of applicant's operations in the near future.
3. A rate of return of 4.8 percent on the adopted rate base is not unreasonable.
4. Revenues will be increased by \$83,900 by the rates herein authorized.
5. The increases in rates and charges authorized herein are justified, the rates and charges authorized herein are reasonable, and the present rates and charges, insofar as they differ from those prescribed herein, are for the future unjust and unreasonable.
6. The staff recommendation on depreciation is reasonable and the Commission has no objection to the staff proposed depreciation rates.
7. It is reasonable that this matter be decided ex parte.
The Commission concludes that the application should be granted.

O R D E R

IT IS ORDERED that after the effective date of this order, Garden Water Corporation is authorized to file the revised rate schedules attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be four days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date thereof.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 26th
day of NOVEMBER, 1974.

Vernon L. Stanger
President
William J. Lyons
[Signature]
[Signature]
Robert E. Merland
Commissioners

APPENDIX A
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Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Garden Acres and vicinity, five miles south of Bakersfield, and Tract 2550 and vicinity, five miles northwest of Bakersfield, Kern County.

RATES

	<u>Per Meter</u>	
Quantity Rates:	<u>Per Month</u>	
First 1,000 cu.ft. or less	\$ 5.00	(I)
Next 3,000 cu.ft., per 100 cu.ft. ....	.30	|
Next 6,000 cu.ft., per 100 cu.ft. ....	.25	|
Over 10,000 cu.ft., per 100 cu.ft. ....	.16	(I)
Minimum Charge:		
For 5/8 x 3/4-inch meter	\$ 5.00	(I)
For 3/4-inch meter	7.00	|
For 1-inch meter	10.00	|
For 1-1/2-inch meter	18.00	|
For 2-inch meter	28.00	|
For 3-inch meter	45.00	|
For 4-inch meter	70.00	(I)

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.

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Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICEAPPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

Garden Acres and vicinity, five miles south of Bakersfield, and Tract 2550 and vicinity, five miles northwest of Bakersfield, Kern County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>	
1. For a single-family residential unit, including premises having the following area:		
10,000 sq.ft. or less	\$ 7.50	(I)
10,001 to 16,000 sq.ft.	9.80	|
16,001 to 25,000 sq.ft.	12.40	(I) *
2. For each additional single family residential unit on the same premises and served from the same service connection.....	4.00	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one inch in diameter.

2. All service not covered by the above classification will be furnished only on a metered basis.

3. If the utility so elects, a meter shall be installed and service provided under Schedule No. 1, Metered Service.

*4. Lots larger than 25,000 sq.ft. will be furnished service only on a metered basis.